

Message Text

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ACTION SS-25

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FM AMEMBASSY BUCHAREST
TO SECSTATE WASHDC IMMEDIATE 1460

C O N F I D E N T I A L BUCHAREST 6282

EXDIS

E.O. 11652: GDS
TAGS: EAIR, XH, RO
SUBJECT: SUSPENSION OF PAN AM SERVICES

1. EMBASSY IS BOTH SURPRISED AND DISAPPOINTED THAT SENIOR MANAGEMENT OF PAN AM HAS DECIDED TO SUSPEND AIR SERVICE TO BUCHAREST. EMBASSY HAS MAINTAINED CLOSE RELATIONS WITH LOCAL PAN AM REP, MR. BASSO, AND ALTHOUGH WE HAD HEARD FROM HIM THAT SERVICE TO BUDAPEST MIGHT BE SUSPENDED, HE NEVER SUGGESTED TO US IN ANY DIRECT FASHION THAT PAN AM WAS CONSIDERING SUSPENSION OF ITS SERVICE TO A NUMBER OF EASTERN EUROPEAN COUNTRIES INCLUDING BUCHAREST. IN OUR VIEW, IMPACT ON EMBASSY AND ON U.S. RELATIONS WITH ROMANIA OF SUSPENSION OF AIR SERVICE WILL BE VERY APPRECIABLE IN BOTH ECONOMIC AND POLITICAL TERMS.

2. PAN AM'S SERVICE TO BUCHAREST, IN ADDITION TO TWICE WEEKLY PASSENGER FLIGHT, ALSO INCLUDES SIGNIFICANT CARGO SERVICE. AS WE UNDERSTAND IT FROM MR. BASSO, LARGEST PART OF PAN AM'S CARGO SERVICE INVOLVES TRUCKING MERCHANDISE FROM ROMANIA TO FRANKFURT AT WHICH POINT IT IS LOADED ON AIRCRAFT FOR SHIPMENT TO U.S. DESTINATIONS. THIS PARTICULAR ACTIVITY, WE HAVE BEEN INFORMED, IS QUITE LUCRATIVE. IT IS NOT CLEAR FROM
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MESSAGE THAT THIS SERVICE WOULD BE DISCONTINUED, AND EMBASSY WOULD APPRECIATE CLARIFICATION OF THAT POINT. FURTHERMORE, PAN AM, WITHIN LAST YEAR, SUGGESTED TO GOR THAT PAN AM BE PERMITTED TO PROVIDE DIRECT AIR CARGO SERVICE TO BUCHAREST UTILIZING BOIENG 747'S. (SEE BUCHAREST 2260). PROJECT INCLUDED SETTING UP OF EXTENSIVE CONTAINERIZED GROUND FACILITIES.

ALTHOUGH GOR HAS NOT YET GIVEN POSITIVE RESPONSE TO THOS PROPOSAL, WE ASSUMED THAT IT WAS STILL ON TABLE. MOST PROBABLY, GOR WILL BE UNDER SAME IMPRESSION.

3. OTHER FACTORS WILL TEND TO MAKE PAN AM'S DECISION SURPRISING TO GOR. CHIEF AMONG THESE IS FACT THAT PROLONGED NEGOTIATIONS ON EXTENSION OF AIR TRANSPORT AGREEMENT TOOK PLACE IN WASHINGTON IN APRIL. AS FAR AS WE ARE AWARE, THERE WAS NO INDICATION IN COURSE OF THOSE NEGOTIATIONS OR IN SUBSEQUENT COMMUNICATIONS REGARDING MEMORANDUM OF UNDERSTANDING CONCERNING POSSIBILITY OF SUSPENSION OF PAN AM SERVICE. PAN AM-TAROM AIR SERVICE IS CHIEF REASON FOR EXISTENCE OF AIR TRANSPORT AGREEMENT.

4. TIMING OF PAN AM'S PRESS RELEASE AND ELEMENTS OF SURPRISE CONTAINED IN IT WILL BE DISTURBING TO GOR. IT WILL BE VIEWED AS SIGNIFICANT POLITICAL SIGNAL. FACT THAT SERVICE IS SIMULTANEOUSLY BEING SUSPENDED TO NUMBER OF EASTERN EUROPEAN CAPITALS, INCLUDING MOSCOW, WILL BE VIEWED BY GOR AS DISAPPOINTING EVIDENCE OF INABILITY OF U.S. ESTABLISHMENT TO DIFFERENTIATE AMONG EASTERN EUROPEAN COUNTRIES. IT WOULD BE DIFFICULT, IF NOT IMPOSSIBLE, TO DISSUADE GOR FROM BELIEVING THAT SUSPENSION OF SERVICE IS BASED ON DECISION UNDERTAKEN BY USG IN COOPERATION OR CONSULTATION
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WITH PAN AM. IT IS IN NATURE OF THINGS IN THIS AREA THAT DISTINCTION BETWEEN PRIVATE AND PUBLIC SECTORS IN MARKET ECONOMIES IS ONLY POORLY DISTINGUISHED. IT IS EQUALLY TRUE TO SAY THAT DISTINCTIVENESS OF ECONOMIC AND FINANCIAL CRITERIA FROM POLITICAL CONSIDERATIONS IS ONLY POORLY CONCEIVED AND UNDERSTOOD. GOR WILL, THEREFORE, LEAP TO CONCLUSION THAT DECISION IS BASED POLITICALLY, AND THEREIN LIES MOST SERIOUS PROBLEM.

5. IN LONGER RUN, IT IS POSSIBLE THAT GOR MAY COME TO VIEW SUSPENSION OF PAN AM SERVICE AS ECONOMICALLY ADVANTAGEOUS. WITHOUT HAVING ALL OF FACTS AT HAND, IT IS POSSIBLE TO IMAGINE THAT ROMANIAN AIRLINE, TAROM, HAVING MONOPOLY ON SERVICE TO U.S., WOULD BE ABLE TO UTILIZE ITS PRESENT CAPACITY MORE FULLY OR EVEN EXPAND ITS FREQUENCIES OF FLIGHTS. EMBASSY WOULD APPRECIATE RECEIVING DEPARTMENT'S COMMENTS ON EFFECT SUSPENSION OF PAN AM SERVICES WILL HAVE ON THOSE OF TAROM TO UNITED STATES.

6. THE TWICE WEEKLY PAN AM FLIGHTS TO AND FROM U.S. ARE SOLE U.S. AIR CARRIER LINK FOR

PASSENGERS AND CARGO. SUSPENSION OF THIS SERVICE
WILL MEAN THAT NON-AMERICAN LINES WILL HAVE TO BE
EMPLOYED FOR EMBASSY PERSONNEL TRAVEL. PSYCHOLOGICALLY,
CUTTING OF THIS LINK WITH UNITED STATES WILL ENHANCE
SENSATION OF ISOLATION AMONG EMBASSY STAFF, RESIDENT
U.S. BUSINESS PEOPLE, EXCHANGE STUDENTS, PROFESSORS AND
OTHER RESIDENT AMERICANS. THESE FACTORS ARE IMPORTANT
TO US AS A POST, BUT WE APPRECIATE THAT ECONOMIC
DECISIONS ARE NOT TAKEN BY SENIOR MANAGEMENT LEVEL ON
BASIS OF SUCH CONSIDERATIONS.
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